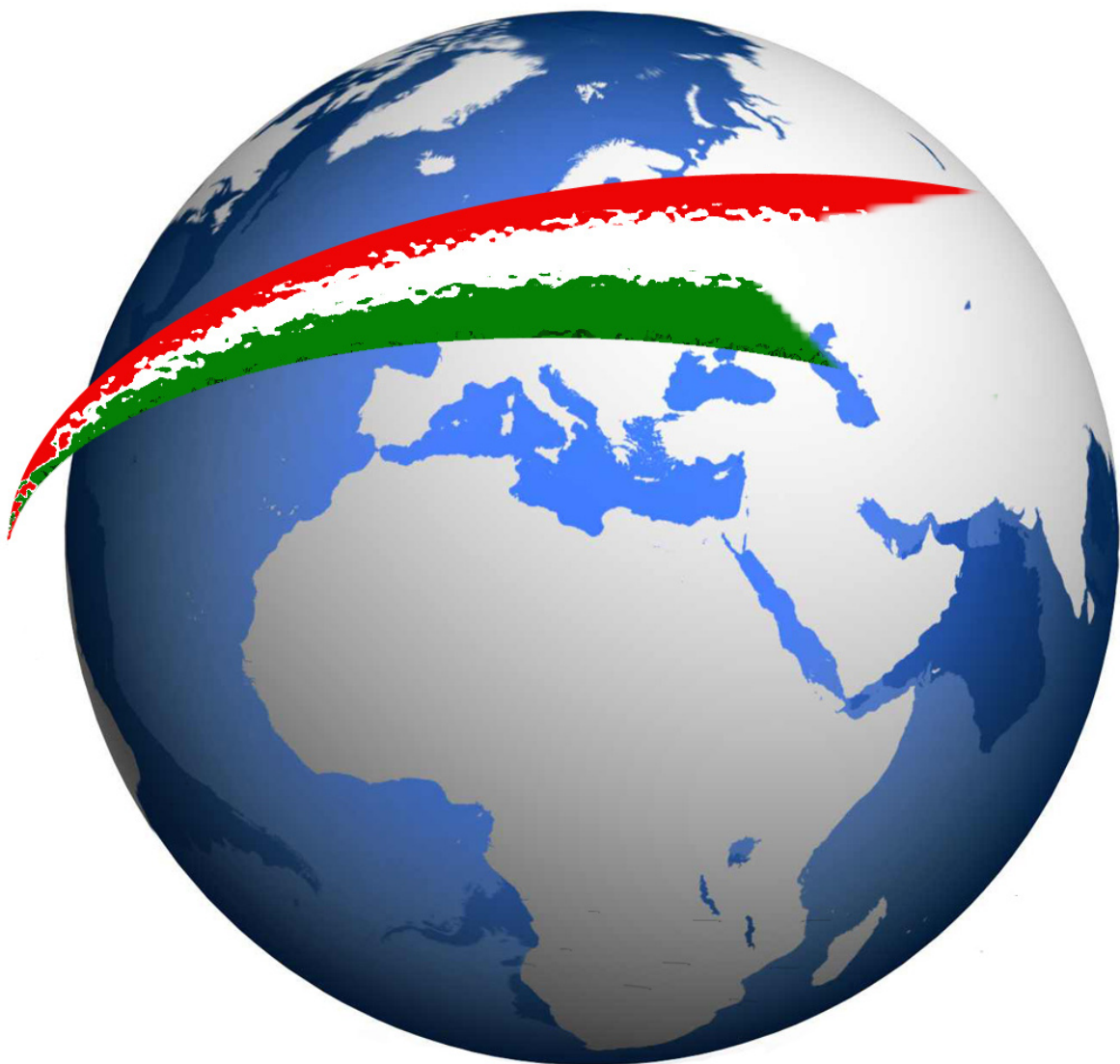


Hungary's international development cooperation is facing a strategic turning point

What is Hungary Doing for the Developing World?



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H A N D

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Abbreviations

AKCS	African, Caribbean and Pacific Ocean countries
CONCORD	European NGO Confederation for Relief and Development
DAC	Development Assistance Committee (OECD)
EDF	European Development Fund
FAO	Food and Agriculture Organization (UN)
GEF	Global Environment Facility
GNI	Gross national income
IMF	International Monetary Fund
HAND	Hungarian Association of NGOs for Development and Humanitarian Aid
HM	Ministry of Defense
IDA	International Development Association
KM	Ministry of Foreign Affairs
NEFE	International Development Cooperation
NEFEFO	Department of International Development Cooperation
NGO	Non-Governmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OMLT	Operational Mentoring and Liaison Team
PRT	Provincial Reconstruction Team

Executive Summary

For the purpose of lending assistance to the poor, developing countries, Hungary each year budgets a small fraction of its gross national product for international development cooperation. In addition to being a well-established international obligation, this activity also contributes to Hungary's good reputation and at the same time strengthens its national security.

In the age of global interdependence, the famines, epidemics, natural disasters and violent conflicts that devastate countries in faraway continents also have direct influence on our country, both as far as our economy and public health system are concerned. In such cases as the famine that ravaged the horn of Africa or last year's deluge in Pakistan, Hungary made a contribution to international efforts mounted to alleviate the consequences of the crises: as part of the international development cooperation, Hungary donated \$139.65 million (HUF 28.07 billion) in 2011, which amounts to 0.11% of the country's gross national product. Nevertheless, this figure remains below the 0.33% level set by the European Union, which Hungary has agreed to reach by 2015.

The above sum is largely made up by contributions paid into the international organizations (multilateral cooperation), while financial aids and other forms of economic assistance offered directly to developing countries (bilateral cooperation) constitute a smaller portion. Official agencies (government bodies and international organizations) and non-governmental partners (NGOs and profit-making organizations) alike have been taking part in the implementation of the programs.

For the purpose of achieving substantial results in the developing countries, and also in order to offer better opportunities for Hungarian organizations to raise their profile in the development projects, we must increase the share of bilateral cooperation in the years ahead.

Besides the NGOs, the private companies have also seen a growing number of opportunities opening up in the wake of the emerging new markets and cooperations, which are mutually advantageous and can provide sustainable solutions for burning social problems. As for the states, they can foster international development by implementing appropriate policies, as long as they manage to create a supportive environment and a sustainable financial system and institutional structures. In Hungary's case, the introduction of a transparent and predictable strategy covering the entire range of international development activities is especially important, as up till now this country has failed to put in place a comprehensive legislative framework.

The Aid-Watch report compiled by the HAND Association aims to study the government's activities in international development cooperation, and also makes recommendations to improve it. The purpose of writing this document is to make the government's actions financed from the central budget more transparent, and the data associated with it more accessible. We think it is extremely important that the Parliament passes the draft resolution presented by the Foreign Affairs Committee, the most crucial element of which is the mandatory requirement to draw up an international development strategy before the end of 2012. Failure to pass the draft resolution would automatically put the

Ministry of Foreign Affairs under obligation to devise the international development strategy even without the ratification of the resolution; a further stipulation would require the Ministry of Foreign Affairs to engage the interested parties (NGOs and other actors) in this process.

From the civil society's point of view, it is absolutely paramount that more financial resources be allocated to international development activities, and that the Ministry of Foreign Affairs receive substantially more money for such purposes than it had done in past years. With regard to multilateral activities, we recommend – as we have done so in previous years – that our monetary contributions to the international organizations be regularly audited.

While it is true that annual reports are designed to review the activities of the past year, in the interest of predictability in planning it would be advisable also to outline the budgetary plan for the next year, either as part of the Ministry of Foreign Affairs' annual report or in the form of a separate document: In what sectors and in which target countries can we expect tender competitions? In connection to this, the NGOs would like to see the calls for proposals for co-financing support every year, in view of the fact that the presentation of co-financing in connection with European Union grants causes severe problems for a number of organizations. In 2012, for example, there will be an opportunity to apply for co-financing.

The rest of the recommendations can be found at the end of each chapter, as well as at the end of the document, among the recommendations of the 12 points.

Introduction

This is the fourth occasion that the Hungarian Association of NGOs for Development and Humanitarian Aid – otherwise known as the HAND Association – has compiled the Hungarian Aid-Watch report. The document reviews Hungarian activities in development cooperation in 2011, and also makes recommendations to improve the situation. The present study is primarily based on the document entitled “Report on Hungary’s International Development and Humanitarian Aid Activities in 2011”, compiled by the Ministry of Foreign Affairs’ International Development Cooperation and Humanitarian Aid Department (in the following: NEFEFO, the agency’s Hungarian acronym); however, in connection with certain NEFEFO expenditures the report also presents recommendations to other ministries and public administration branches.

When it comes to transparency and content, the aid association HAND believes that improvements have been made in this year’s report. In comparison to previous years’ reports, it provides a more accurate picture of Hungary’s NEFE activities for 2011.

The Hungarian Aid-Watch Report also takes into account the study by CONCORD Europe, the confederation of European development organizations.¹

The term “international development cooperation” (in the Hungarian terminology: NEFE) refers to all forms of activities, in the course of which developed countries allocate various resources – financial means, expertise, technology – to countries of the developing world for the attainment of specific goals. A basic expectation in this regard is the elimination of poverty and the economic convergence of these countries. However, NEFE is also influenced by foreign politics, security issues and other political goals. In latter years such emerging countries as China and India also carry out NEFE activities. The prime interest of these countries does not necessarily concern the promotion of the prosperity and the wellbeing of the beneficiary countries; in China’s case, for example, this activity is demonstrably the procurement of commercial and economic advantages.

¹ In its annually compiled Aid-Watch Report, the Concord Association analyses the international development activities in the European Union, and also evaluates the tasks accomplished by its 27 member states. For further information, see: <http://aidwatch.concordeurope.org>

The Purpose of the Hungarian Aid-Watch Report

The HAND Association hopes to serve several purposes with its Aid-Watch Report. On the one hand, we find it important, from a NGO viewpoint, to scrutinize the government's activities in this area, calling attention to the shortcomings and highlighting the need for certain changes.

The other purpose of the report is to increase efficiency, in view of the fact that Hungary has to put in place the most efficient projects possible from the limited financial resources that are available for NEFE activities. It is of utmost importance that the lives of the largest possible number of beneficiaries – individuals and communities – become easier and fairer as a result of its activities. The third, and the most important, purpose of the Hungarian Aid-Watch Report is to increase transparency in the area of international development. The public must be informed about the government's NEFE activities, because this is the only way to ensure that the quality of the activities are both measurable and adaptable, and also, that the citizens have a clear picture of how part of their taxes have been spent.

Transparency in International Development Cooperation

The topic of transparency forms an integral part of the annual Aid-Watch Reports. Transparency essentially means that comprehensible, accessible and regularly updated information is being made available about both the activities and the associated financial transactions.

The reason why transparency is so vital is that public money is being spent in the process and citizens have a right to monitor how their tax money is put to use. The implementation and the effectiveness of the government-supported NEFE programs can be evaluated and rated only after a serious study.

Whenever a particular project falls short of the expectations, appropriate conclusions must be drawn and improvements must be made in the execution of the activities. In addition, transparency can also play a part in the effort to reduce possible duplications in the various activities. At the same time, all these become meaningful only if the implementation of the projects is followed by the measuring of effectiveness: How great was the social impact of a completed project and did it deliver the anticipated good results?

One way to obtain a measure of transparency is by examining whether the people affected or interested can have access to the relevant information. Although the annual NEFE report compiled by the Ministry of Foreign Affairs publishes the relevant data, access to the document itself is problematic, which is due to the shortcomings of the onscreen menu on the webpage kormany.hu. While earlier on it was possible to follow the latest events in international development on the ministry's webpage, the new website does not allow this.

For ease of comparisons, it would make sense, from a statistical point of view, to present the data sets

on a longer timescale. Instead of the earlier practice of limiting presentation of the data to the last two years, it would be possible to show how the trends in development funds have actually changed in a five-year period, for example. Another way to facilitate easier comparisons would be to display the data in euros also, on top of dollars and forints. Among the projects financed by the European Union, there might be some, which do not easily lend themselves to conversion into other currencies.

Changes in the Volume of International Development Cooperation

The acronym ODA stands for official development assistance, a term referring to funds allocated to international development. Hungary's contribution to international development rose from \$139,65 (HUF 23,85 milliard) in 2010 to HUF 28,06 milliard in 2011, amounting to an increase of nearly 22% (\$25 million, or nearly HUF 5 milliard) on last year's figure.

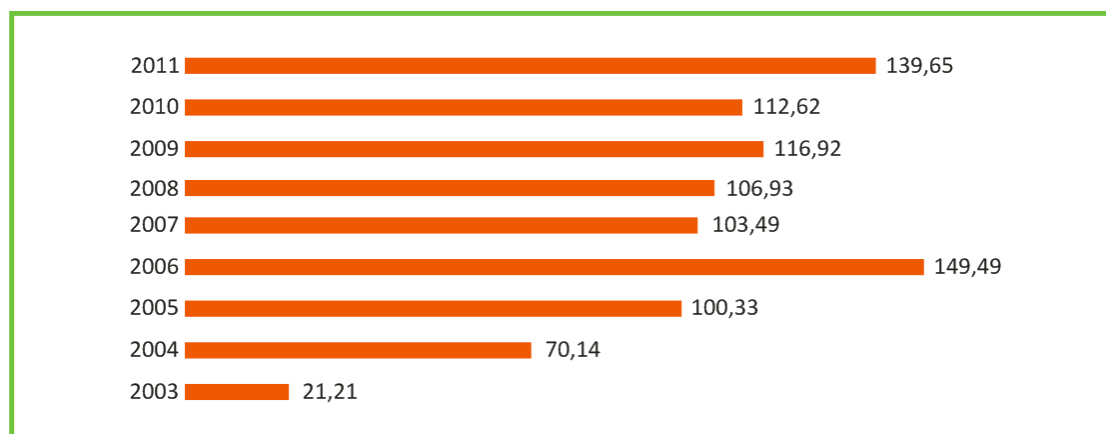
The member states of the European Union had pledged to keep spending a certain percentage of their gross national income (GNI) on NEFE activities until 2010. The new EU members fixed their own pledged contribution to NEFE activities at a level considerably lower than that offered by the older members: 0,17 per cent of the gross national product (ODA/GNI) until 2010, rising to 0,33 per cent by 2015. In Hungary's case, however, the ODA contribution of \$139,65 million (HUF 28,07) translates into a mere 0,11 per cent of the GNI which itself is only a slight improvement on the 2010 figure of 0,09 per cent, and² falls way below Hungary's pledge of 0,17 percent for 2010.

When compared to the performance of the rest of the countries in the region, the 0,11-percent figure is a fairly average result. However, this figure was true for the year 2005, while in terms of absolute figures the result approached the total volume reached in 2006. (See Table 1!) Also, it is doubtful whether the ODA/GNI level prescribed for 2015 is at all a realistic goal at the present rate. Probably not.

It is important to study the reasons why Hungary's NEFE spending increased compared to previous year's figure, and whether the tendency is sustainable. The growth is in fact accredited to one large payment, because in 2011 Hungary became a contributor of the European Union's European Development Fund and it was in consequence of that single contribution that her aid activity increased to such a level. The European Development Fund is a financial system that is independent of the EU budget and serves to finance projects taking place in Africa, the Caribbean and the Pacific region, as well as in countries and areas over the sea.

² Originally, the idea for the developed countries to give a percentage of their GNI to NEFE projects emerged in the 1970 within the framework of the UN. In 2012 the EU reconfirmed its earlier pledge to meet the following obligations: EU15:0,7 percent ODA/GNI, EU12:0,33 percent ODA/GNI

Table 1. Hungary's ODA contribution from 2003 through 2011 (in \$ 1 million).



Source: Ministry of Foreign Affairs

The aid assistance of the donor countries assumes two distinct forms: bilateral and multilateral cooperation. The bilateral form always requires a direct cooperation between the donor country – a developed state – and the recipient of the aid activity – a developing country. In the case of multilateral cooperation, the donor country usually pays voluntary or mandatory contributions into a large fund managed by an international organization.

In 2011, 76 percent of Hungary's total NEFE activities, worth nearly \$106 million (HUF 21.5 billions), were in the form of multilateral cooperation. By contrast, the total value of bilateral activities only came to \$33.5 million (HUF 6.53 billions), which was equivalent to 24 percent of the total NEFE activities. Compared to 2010, bilateral activities went up by 10 percent in 2011 (from HUF 5,99 billions to HUF 6.53 billions); still, the percentage of bilateral activities in the total NEFE decreased by 4 percent, thanks to an even steeper increase in multilateral expenditure.

In our view, the percentage of bilateral NEFE activities must be increased in the future, for several reasons. First, this will ensure that Hungary's growing efforts in this area will receive more publicity and recognition in the developing world. Without such publicity, an important segment of Hungarian foreign politics, of which NEFE forms an integral part, might become ineffectual.

The second reason is that cooperation effected through bilateral channels offers greater potentials for NGOs and private companies in Hungary. Such a cooperation allows Hungarian civil society organizations to compete for projects to be carried out in the developing world, financed directly from Hungarian budgetary sources, thus eliminating the need to compete with the organizations of several other countries, which would be the case in an international competition.

The third reason is that projects carried out in the form of bilateral cooperation may have greater efficiency, since the donor countries in this case are in a better position to exert direct influence on the recipient state; also, this form of cooperation makes it easier to react quickly, should the need to implement certain changes arise along the way. The fourth advantage is that the success of a development program

with purely Hungarian backing can make the Hungarian public more receptive to the idea of NEFE programs. This is very important, because without the support of Hungarian politicians and Hungarian public opinion there will not be any increase in the budgetary support for NEFE projects.

Smaller countries do not have significant financial influence on NEFE activities carried out on a multilateral basis, since their contribution paid into large UN bodies forms a negligible part in the given organization's budget. At the same time, it is important to point out that a donor country's threat to suspend paying its membership fee during the annual review period can send an important message to the international organization concerned. Obviously, the mandatory membership fee must eventually be paid, but some countries actually go as far as to withhold the payment, thus putting the given international organization in a difficult position. A review of the efficiency ratio of funds maintained by voluntary contributions might be called for.

As regards the main targets of the largest multilateral contributions, there have been no changes since our report last year. In the case of the financial institutions of international development, Hungary supported the World Bank's International Development Association (IDA) to the tune of \$ 3,6 million in 2011. Under the aegis of the FAO (Food and Agricultural Organization) project, the training of grantees is continuous, which is a multilateral project, regardless of the fact that it could also qualify for a bilateral agreement, had it not been carried out through an international organization.

Recommendations:

- More financial sources must be allocated to bilateral NEFE activities.
- The ODA data is still being given in USD and HUF. It would be better, if it was also published in euros, since that would make any comparison with the relevant statistical information from European Union members or other countries easier.
- The designated interval for the display of statistical information should be extended further back in time, because the present practice of not going beyond previous year's data makes the study of trends very difficult.
- As in earlier years, we once again recommend a review of the financial details of contributions going to international organizations.
- We should review the efficiency ratio of European contributions, with special regard to the history of contributions to the European Development Fund.

Changes in the Quality of International Development

The international development activities of any given country is fundamentally determined by the manner in which the quality of its policies changes, along with the place it occupies within the rankings of foreign political ideologies. According to the Ministry of Foreign Affairs' annual report, the politics of Hungary's international development cooperation, in other words, her NEFE policies, "forms an integral part of Hungarian foreign politics". In our view, however, Hungarian NEFE politics take a subordinate place in the hierarchy of the various politics, in other words, it is insufficiently supported. This is evident from the fact that year after year the Ministry of Foreign Affairs allocates only a small percentage of its central budget to NEFE activities. For the year 2011 a total of HUF 292.4 million was originally set aside for NEFE activities; however, this sum was eventually reduced to HUF 92 million, which amounted to a mere 1.4 percent of the financial resources for all bilateral activities. In 2012 the Ministry of Foreign Affairs received approximately HUF 122 million for the implementation of its bilateral programs and humanitarian activities, which was enough to cover the costs of only an insignificant number of programs.

Although the country's current economic situation impels the decision-makers to introduce more and more cuts year after year, substantial budgetary cuts in this particular area are not recommended, especially in view of the fact that the Ministry of Defense spends sums many order larger than this on development activities. The fact of the matter is that it is not possible to carry out high-quality development cooperation work from as little money as the Ministry of Foreign Affairs' NEFE budget permits, and it could also endanger the sustainability of the Hungarian development organizations' work. Nevertheless, with regard to deadlines and project sizes, an improved climate for long-range planning would be highly desirable, as this would make the work of the organizations easier.

The lack of legislation regarding Hungary's NEFE activities has been an ongoing problem for many years now. Besides giving a large boost to NEFE activities in general, the least thing a framework law is able to achieve is strengthening the institutional environment, while at the same time also consolidating the Ministry of Foreign Affairs' position as the leading government body in charge of NEFE activities.

As long as the lawmakers keep refusing to address the problem at the legislative level, the minimally expected improvements in the quality and predictability of the NEFE projects will have to come from the devising of a strategy.

In 2011 the HAND Association, jointly with the DemNet Foundation, succeeded in securing an all-party support in the Parliament's Foreign Affairs Committee for a draft resolution. Among other things, the draft resolution stipulated that by the end of the year 2012 the government must come up with Hungary's international development cooperation strategy. However, to this day Parliament has not put the issue on its agenda, it has not discussed it on a plenary session and has not approved it, which has put the completion of the strategy in jeopardy. The Ministry of Foreign Affairs has made the

necessary preparations to draft the document; it has even asked the opinion of the interested parties, among others the civil organizations concerned, by asking them to fill out a questionnaire. The HAND Association would like to use this opportunity to declare that it has a continuing interest in taking part in the devising of the strategy. Through an institutionalized arrangement, by setting up a workgroup and laying down a schedule, it is possible to secure the civil actors' continued engagement in the process.

However, in deciding on the content of the NEFE strategy, one must take into account a number of forward-thinking ideas, so that, in addition to a clear assessment of the current situation, the long-term goals be also specified in the document. Another important requirement is that the emerging NEFE strategy should be comprehensible and easily communicated and have clearly recognizable features, along with the point that the region's unique realities, along with the ongoing activities of Central Europe and the Visegrád countries in specific, should also be taken into account.

Furthermore, the strategy must draw on the recommendations made by Structured Dialogue, thus offering the civil society an institutionalized opportunity for both a meaningful participation in the NEFE and a say in determining priorities within the program and among the partners. We recommend that in planning the NEFE activities the emphasis be laid on program-like projects; in other words, preference must be given to sequentially structured programs with a timeframe of several years. When broken down into specified sectors and target countries, strategic plans can be of great assistance to both project managers and recipient organizations, as long as the subjects of tender competitions are announced sufficiently ahead of time.

From the viewpoint of the composition of recipients, the bilateral NEFE activity also forms subject of the study. The remarkably high number of ODA partners in Hungary's case has been evident for many years now. We support the Ministry of Foreign Affairs' efforts to cut the number of partner countries during the process of drafting the NEFE strategy. Having too many partner countries will lead to both fragmentation in the activities and the squandering of the resources; this is despite the fact that in many cases the funding only amounts to a very small sum, probably the cost of a single airplane ticket. Compared to 2010, we have managed to reduce the number of partner countries; another telling fact is that there are only about a dozen countries, which receive substantial donations from Hungary.

Our largest bilateral partner is Serbia, receiving as much as 32 percent of the total bilateral ODA. At the same time, it is doubtful whether the stipulation, whereby the most needful countries should be the first in line to receive the development grants, is fulfilled, in view of the fact that Serbia is a country of average national income.

Outstandingly important among the target countries is Afghanistan, which is partly attributed to the fact that, through Hungary's military presence in that country, the allocated budget of the Provincial Reconstruction Team (PRT) is very high. Afghanistan alone receives 30 percent of the total bilateral aid, which is mostly spent in connection with the military activities. With the expiration of the PRTs' term, the associated budget will empty out and the Hungarian bilateral NEFE activity will probably decrease.

On the subject of choosing the target areas for international development, it is important to emphasize that the NEFE activities should facilitate the rise of the most destitute and most impoverished social groups. According to the regional break-down of the figures, most of the Hungarian ODA ends up in the West Balkans and Asia, while the poorest African region receives a very modest percentage, less than 5 percent of the total budget, which means that the recommendation about the preferential treatment of the most impoverished countries is not followed.

Another important requirement concerns the promotion of a predictable environment, therefore, it would make sense to lay down the most likely development guidelines well in advance, the foundations of which should already be presented in the report. It would be very useful for civil organizations, as well as all the other actors of the development activities, if they could receive advance notice about the possible subjects for the upcoming competitions in the next few years, broken down by sectors and target countries. We would also like to mention it here that while many of the civil society organizations are highly successful in obtaining resources from abroad, especially in the area of EU competitions, they often have problems demonstrating the availability of co-financing. The organizations' work would be considerably simplified, if co-financing competitions were held annually. A number of Hungarian civil society organizations have actively been engaged in changing the perception: we would welcome, if the Ministry of Foreign Affairs announced annual competitions in this subject, too. The need to boost the NEFE's social backing through perception-changing programs is quite evident.

We have also studied the bilateral NEFE activities from the viewpoint of sectoral distribution. The report provides a clear picture of the projects, the financial details and the associated sectoral activities, although some of the sectors are difficult to interpret and would require further clarification, especially in the case of the sector commonly referred to as "security". With regard to the "costs of the troops sent on the mission", it is doubtful that it can be put down as aid money, not even when it concerns money spent on training conducted still back in Hungary. Clearly, in this case the party that directly benefitted from the activity would be the state providing the aid, not the developing country receiving it. The most privileged sectors were the following: education (37 percent), security (16 percent) and refugee costs (14 percent).

In compliance with the methodology of CONCORD Aid-Watch, the civil society considers as aid-inflating factors those ODA costs, which clearly qualify as ODA according to the OECD criteria, yet they do not appear to be genuine resource transfers from the beneficiary country's viewpoint. One such example is the living costs of refugees, to be paid by the host country in the first year of their stay; and another is the provision of grants: each constitutes a substantial item in the list of ODA disbursements within Hungary's NEFE budget.

It would be worth exploring the possible upsides of what would happen if Hungary concentrated on development sectors that offered the most contribution to the elimination of poverty at a global level (healthcare, education projects). Another interesting aspect of the Hungarian NEFE program is that the precise activities of the Hungarian Army's training unit in Afghanistan OMLT (Operational Mentoring and Liaison Team) is not known: it has carried out a training program in policing operations and mounted

checkpoints, for which it received nearly HUF 1000 million. Although this activity can qualify as ODA, it is doubtful whether it fits the category for development work in Afghanistan. Furthermore, it would be important to know whether any monitor reports have been completed about the Defense Ministry's development activities in Afghanistan, and whether the DM has devised an exit strategy (the activities and the eventualities for the period after the termination of the PRT). From the viewpoint of the local population, a smooth handover of the projects would be crucial – our hope is that the ministry will be able to complete this task by the time of the withdrawal of the troops.

The monitoring and the evaluation of development projects are useful instruments in the hands of the project managements, as they provide important feedback about the realization of the project goals. Designed to study projects in progress, monitoring can be used, if necessary, to implement mid-term corrections in order to improve the overall performance. Evaluation always takes place after the completion of the project. We recommend that the actors of international development in Hungary apply these instruments as extensively as possible in order to improve the execution of the projects. We were glad to learn that the Ministry of Foreign Affairs had developed a unitary system of professional guidelines for monitoring, and we also welcomed the only independent report it had completed last year, which dealt with the educational system in Sri Lanka. To facilitate straightforward comparisons between the various projects, we recommend that the system of monitoring remain uniform.

Measuring the efficiency rate is important, because it raises the awareness of the accomplished results and their positive, long-term consequences among the project managers, the donors and the beneficiaries alike. One of the aspects of measuring the efficiency rate is that the findings must also be communicated in the appropriate form to the public, as it would have no other way to learn about Hungary's NEFE activities. In this way, NEFE policies will be given greater publicity and recognition, and the decision-makers will also develop stronger interest in the subject.

Recommendations:

- Hungary must devise a NEFE strategy with the engagement of the interested parties (civil organizations, other actors).
- We request that Parliament adopt the draft resolution focusing on the obligation to devise Hungary's NEFE strategy by the end of 2012.
- In order to facilitate long-term planning, the planned activities for the following year should be outlined as part of the annual report: In which sectors and in which target countries should we expect the announcement of tender competitions?
- Several Hungarian civil society organizations have won competitions announced either by EU or donor countries elsewhere; however, they often face difficulties with the provision of co-financing. We suggest that the Ministry of Foreign Affairs set aside a substantial sum for this purpose.

International Development at the European Level

Members of the European Union allocated less resources to international development projects last year than they had done previously. Regardless of this, the European Union continues to be the world's leading community of donors, in the sense that for a number of years now the EU has been providing more aid to developing countries than any other entity. However, maintaining the existing level of support continues to be in jeopardy, due to an initiative within the EU to reduce the financial appropriations allocated to both the European Development Fund and Chapter 4 of the Multiannual Financial Framework (MFF). The member states will make a decision on this at the November 2012 summit, during their debate on MFF.

The HAND Association wants to call attention to the dangers that any reduction of the EU commitments in development policies would pose, as this would seriously jeopardize the attainment of the Millennium Development Goals. The EU policies of international development cooperation help strengthening the role that the EU, and Hungary within it, plays in international affairs. The EU's aid policies have a considerable added value, in that its delegations have been safeguarding the continuity and efficiency of aid activities in 136 countries. We hope that the planned reduction of financial appropriations will not take place, because that would mean that all member states, including Hungary, would have to slash their contributions to the joint European fund and this would push Hungary further away from reaching the official level of development assistance, currently set at 0.33 percent of the GNI/ODA ratio. Furthermore, we request the Ministry of Foreign Affairs to back the proposition that the budget percentage of competition offered to civil society organizations within MFF be kept at a high level, because that would benefit Hungarian organizations in their efforts to secure additional resources.

In 2011 Hungary actively contributed to shaping international development politics at the European level. Especially on account of its role in the Council's workgroup sessions, the Ministry of Foreign Affairs deserves much praise for the work it carried out in the first half of 2011, when Hungary was holding the EU Presidency. During its six-month term as acting chair, the Ministry of Foreign Affairs had plenty of opportunities to pick up experiences and policy information and to utilize them for the benefit of the NEFE system.

From a civil society point of view we have attached great importance to the Structured Dialogue, a process designed to increase the local governments' level of involvement in the NEFE activities. Its additional goal was to strengthen the quadrilateral partnership between the European Parliament, the European Commission, the EU member states and, as the fourth element, the civil society organizations and the local governments. The closing document was adopted at the Budapest conference of May 2011. The document takes a look at those shortcomings and deficiencies, which continue to hinder the cooperation of the civil society organizations at the European level, and lists them as follows: incomplete information about the governments' decisions (about the positions the member states represented at sessions of the Council of the European Union), as

well as about the details of the agreements with the EU's partners and the problems related either to the existence of the legal and institutional frameworks or their oppressive character.

Recommendations:

- As a member of the European Union, Hungary should guarantee that the resources available for civil society organizations within the Multi-annual Financial Framework (MFF) be raised to the appropriate level.
- As a member of the European Union, Hungary should not support the initiative aimed at reducing the budget of the European Development Fund.

High-level Negotiations on International Aid Efficiency

Since 2003 the issue of international aid efficiency has been on the agenda of various high-level conferences. Discussions on this subject were held first in Rome, then in Paris and Accra and, last year, in Busan. The quality of aid work was discussed everywhere, with a view to introducing practical improvements in the donor countries' activities in order to produce better results. Between November 29 and December 1, 2011 the 4th High Level Forum on Aid Effectiveness took place in Busan, South Korea, organized jointly by OECD and the South Korean government. Of all the things discussed in Busan, we would like to focus on the forum's decision about the supportive environment for civil society organizations, as this is the one that matters the most from the viewpoint of the civil sector.

The initiative entitled Global Partnership for Effective Development Cooperation³, which Hungary also joined, was adopted in Busan. Through this document an internationally formulated set of principles connected to effective aid and development was established, and it is highly recommended that all actors concerned with development cooperation join this initiative. The main principles are as follows: development controlled by the recipient country; inclusive development partnership based on mutual respect; focus on results; transparency and accountability to each other.

Recommendation:

- Hungary should comply fully with the recommendations of the initiative entitled Global Partnership for Effective Development Cooperation.

³ <http://www.aideffectiveness.org/busanhl4/about/global-partnership.html>

The Current Status of the 12 Points

This year we have once again reviewed the twelve expectations originally drawn up for the 1st Aid-Watch Report. We urge to make the following changes from the existing practices of last year and the years before. The purpose of the 12 points is to review the NEFE activities of the past years in order to facilitate an effective and focused international development cooperation in Hungary.

1. Open Access to public information, statistical figures, reports, accounts and project evaluations:

- Improvements have been made in this area, which is made clear by the 2012 account entitled “Report on Hungary’s International Development and Humanitarian Aid Activities in 2011”. The document reflects improvements in transparency and coherence.
- The Ministry of Foreign Affairs has handed over all the documents demanded by HAND, yet the public requirement of full transparency has not been completely achieved, as not all the reports and descriptions relating to international development have been made available on the webpage kormany.hu. The website’s current page menu system has no item pointing to NEFE activities (the readers will not know where to find such documents).
- Similarly confusing is that some of the documents are still linked to the old webpage, while the menu items are arranged according to a completely different structure on the new website.
- The other ministries must also make available details of their NEFE activities on their own websites.

2. The transparency of data not qualifying for business secrets, the creation of a NEFE database and document center

- There has been no changes in this area, as the central database of the programs and projects, accessible through the internet, has still not been set up. (By contrast, HAND has set up such a database on its new website created in 2012.)⁴
- At the same time, the annual report publishes all the NEFE spendings in a clear layout.

3. Creating the legal framework for NEFE with the engagement of all the actors concerned/interested:

⁴ HAND Association has made one database available on its website. Here the members of the organization can continuously update information about their development programs and projects: <http://www.hand.org.hu/adatbazis>

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- Since 2007-2008 there has been no progress in the efforts to facilitate the creation of a legal framework in Hungary. Even if the current situation is not conducive to the creation of such a legal framework, the drafting of a comprehensive NEFE strategy is still a must!
 - The Ministry of Foreign Affairs should devise the country's NEFE strategy, even if Parliament fails to approve the draft resolution that set down the final completion date as the end of 2012. We request that the civil society actors also be involved in the process of devising the strategy.
- 4. The Hungarian NEFE Budget must be predictable and there should be a timetable for accomplishing the targeted rates of 0.17 and 0.33 percent:**
- The country has already failed to reach the 0.17 percent rate by the specified deadline. There is still no timetable for the realization of the target rate of 0.33 percent set for 2015, and in the light of the current situation it is unlikely that such an increase in the ODA spending will be reached.
- 5. Answerability for the execution of the Hungarian NEFE programs and accountability for the NEFE spending; the need to produce comparable annual reports:**
- This year's report is comprehensible and transparent; to make comparisons easier, we recommend that all the future reports have a similar structure.
- 6. Raising the bilateral ODA's relative weight in the budget:**
- We continue to attach importance to the raising of the bilateral activities in the NEFE, because this will permit the Hungarian organizations to avail themselves of more resources from Hungary's budget for managing NEFE projects.
- 7. Giving preference to the African countries and the poorest and least developed regions as aid recipient**
- On the evidence of the current tendencies it appears that the majority of the assistance do not go to the poorest regions or countries. The most impoverished continent, Africa, has only received 5 percent of the Hungarian bilateral aids.
 - We must approach the problem of picking the partner countries with great deliberation, carefully taking into account the possibilities of both Hungary and the developing countries concerned, and in this regard having a strategy would be a tremendous help.
- 8. Giving preference to those sectors (agriculture, healthcare, education), which directly serve the Millennium Development Goals (above else, the reduction of poverty), and supporting the so-called Basic Social Services:**
- We have welcomed the fact that this year's report also analyzed the Hungarian ODA in terms of sectoral distributions; unfortunately, the list was not topped by agriculture and

healthcare, the two sectors that could best highlight the anti-poverty credentials of the Hungarian NEFE policies. We must concentrate our future efforts on these two sectors.

9. Aid-inflating items (loan forgiveness, certain areas of education, refugee costs) must be treated separately, and must not be presented as aid:

- Hungary's NEFE budget for 2011 no longer features items related to loan forgiveness.
- Hungary should consider to shift the focus of her development activities to those sectors, where the effects are usually the most effective in reducing poverty (i.e. educational projects and healthcare).

10. A predictable increase in the volume of genuine aid, accompanied by improving quality, all within the framework of a coherent NEFE strategy:

- We still do not have a NEFE strategy in place, even though this would greatly help in improving the predictability and effectiveness of the NEFE activities.
- We must reduce the inflationary effects of the Hungarian NEFE.

11. Measuring and increasing aid effectiveness:

- To measure aid effectiveness, the Ministry of Foreign Affairs has developed a unitary system; to complement it, the Ministry should set up a project database to keep track of the projects and to support their sequentiality. It would be great if this system would be applied by other ministries too.

12. Project monitoring, ex ante and ex post evaluation, measuring aid effectiveness and provision of feedback:

- The Ministry of Foreign Affairs has sent out the finished version of the monitoring minutes and also worked out the professional methodology of monitoring; our hope is that its application will be widespread and regular.
- On the other hand, however, we do not know the evaluation and monitoring work of the other ministries and we are concerned that they have fallen behind with it.

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